

**KS BANCORP, INC
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PRESS RELEASE

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KS Bancorp, Inc. (KSBI) Third Quarter 2017 Financial Results

Smithfield, NC—(Globe Newswire)—October 25, 2017 KS Bancorp, Inc. (the “Company”) (OTCBB: KSBI), parent company of KS Bank, Inc. (the “Bank”), announced unaudited results for the third quarter of 2017.

The Company reported net income of \$782,000, or \$0.60 per diluted share, for the three months ended September 30, 2017, up \$245,000, or 45.6 %, compared to a net income of \$537,000, or \$0.41 per diluted share, for the three months ended September 30, 2016. For the nine months ended September 30, 2017, net income available to common shareholders totaled \$2.0 million, or \$1.57 per diluted share, up \$554,000 or 37.0 %, compared to net income of \$1.5 million, or \$1.14 per diluted share, for the period ended September 30, 2016.

Commenting on the third quarter 2017 results, Mr. Keen, President and CEO of the Company and the Bank, stated, “These results represent another successful quarter for the Company, as we continue to implement management’s plan to maximize shareholder value by increasing income-producing assets, while controlling expenses. On behalf of the Board of Directors and our management team, I would like to thank our customers and the local communities for their continued support as we look forward to continuing to serve them as their independent community bank of choice.”

Net interest income for the three months ended September 30, 2017 was \$3.0 million, compared to \$2.8 million for the same period in 2016. Noninterest income for the three months ended September 30, 2017 was \$702,000, compared to \$689,000 for the same period ended September 30, 2016. Noninterest expense was \$2.8 million for the three months ended September 30, 2017, compared to \$2.7 million for the three months ended September 30, 2016.

For the nine months ended September 30, 2017, net interest income was \$9.0 million, compared to \$8.4 million for the nine months ended September 30, 2016. Noninterest income was unchanged at \$2.0 million for the nine months ended September 30, 2016 and 2017. Noninterest expenses increased slightly to \$8.2 million for the nine months ended September 30, 2017, compared to \$8.1 million for the nine months ended September 30, 2016.

The Company’s unaudited consolidated total assets were \$369.9 million at September 30, 2017, up \$10.5 million, or 2.9%, compared to \$359.4 million at December 31, 2016. Net loan balances were \$283.4 million at September 30, 2017, up \$17.4 million, or 6.5%, compared to \$266.0 million at December 31, 2016. The Company’s investment securities totaled \$60.6 million at September 30, 2017, compared to \$66.2 million at December 31, 2016. Total deposits were \$294.9 million at September 30, 2017, up \$9.2 million, or 3.2%, compared to \$285.7 million at December 31, 2016. Total stockholders’ equity was \$26.6 million at September 30, 2017 up \$2.2 million or 9.2%, compared to \$24.4 million at December 31, 2016.

Nonperforming assets, which includes nonaccrual loans and foreclosed real estate, have continued to decline and as of September 30, 2017 represented less than 0.50% of the Company's total assets. Nonperforming assets consist of \$130,000 in foreclosed real estate and \$567,000 in nonaccrual loans. The allowance for loan losses at September 30, 2017 totaled \$3.9 million, or 1.35% of all outstanding loans.

Separately, Mr. Keen noted that the Board of Directors of the Company has withdrawn its plan to pursue a Subchapter S reorganization and will instead continue to operate as a C corporation.

KS Bank continues to be well-capitalized according to regulatory standards with total risk-based capital of 14.23%, tier 1 risk-based capital of 12.98%, common equity tier 1 risk-based capital of 12.98%, and a tier 1 leverage ratio of 9.84% at September 30, 2017. The minimum levels to be considered well-capitalized for each of these ratios are 10.0%, 8.0%, 6.5%, and 5.0%, respectively.

KS Bancorp, Inc. is a Smithfield, North Carolina-based single bank holding company. KS Bank, Inc., a state-chartered savings bank, is KS Bancorp's sole subsidiary. The Bank is a full service community bank serving the citizens of eastern North Carolina since 1924. The Bank offers a broad range of personal and business banking products and services, mortgage products and wealth management advisory services. There are nine full service branches located in Kenly, Selma, Clayton, Garner, Goldsboro, Wilson, Wendell, Smithfield, and Four Oaks, North Carolina plus a mortgage servicing location in Greenville, NC. In addition, KS Wealth Management has an office in Asheboro, NC and maintains a presence in Waynesville and Wilmington, NC. For more information, visit www.ksbankinc.com.

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. The Company undertakes no obligation to update any forward-looking statements.

KS Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition

	September 30, 2017 (unaudited)	December 31, 2016*
(Dollars in thousands)		
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 8,033	\$ 8,744
Noninterest-earning	1,566	1,708
Time Deposit	100	100
Investment securities available for sale, at fair value	60,613	66,208
Federal Home Loan Bank stock, at cost	1,811	1,791
Presold mortgages in process of settlement	118	-
Loans	287,334	269,843
Less allowance for loan losses	(3,885)	(3,772)
Net loans	283,449	266,071
Accrued interest receivable	1,112	1,086
Foreclosed real estate and repossessions, net	130	193
Property and equipment, net	7,620	7,767
Other assets	5,391	5,696
Total assets	\$ 369,943	\$ 359,364
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 294,922	\$ 285,755
Short-term borrowings	4,254	2,790
Long-term borrowings	40,248	43,248
Accrued interest payable	308	281
Accrued expenses and other liabilities	3,571	2,899
Total liabilities	343,303	334,973
Stockholder's Equity:		
Common stock, no par value, authorized 20,000,000 shares; 1,309,501 shares issued and outstanding in 2017 and 2016	1,607	1,607
Retained earnings, substantially restricted	25,408	23,513
Accumulated other comprehensive loss	(375)	(729)
Total stockholders' equity	26,640	24,391
Total liabilities and stockholders' equity	\$ 369,943	\$ 359,364

* Derived from audited financial statements

KS Bancorp, Inc and Subsidiary
Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Interest and dividend income:				
Loans	\$ 3,515	\$ 3,173	\$ 10,156	\$ 9,316
Investment securities				
Taxable	279	290	864	902
Tax-exempt	41	49	140	140
Dividends	22	21	70	66
Interest-bearing deposits	8	9	30	20
Total interest and dividend income	3,865	3,542	11,260	10,444
Interest expense:				
Deposits	392	332	1,103	986
Borrowings	378	363	1,125	1,094
Total interest expense	770	695	2,228	2,080
Net interest income	3,095	2,847	9,032	8,364
Provision (recovery) for loan losses	(187)	-	(187)	5
Net interest income after provision (recovery) for loan losses	3,282	2,847	9,219	8,359
Noninterest income:				
Service charges on deposit accounts	354	344	1,045	1,026
Fees from presold mortgages	60	87	178	219
Loss on sale of investments	-	(29)	(4)	(26)
Other income	288	287	859	824
Total noninterest income	702	689	2,078	2,043
Noninterest expenses:				
Compensation and benefits	1,656	1,629	4,986	4,985
Occupancy and equipment	309	317	909	944
Data processing & outside service fees	203	203	603	604
Advertising	18	26	52	71
Net foreclosed real estate	20	(1)	59	(85)
Other	604	534	1,623	1,547
Total noninterest expenses	2,810	2,708	8,232	8,066
Income before income taxes	1,174	828	3,065	2,336
Income tax	392	291	1,012	837
Net income	\$ 782	\$ 537	\$ 2,053	\$ 1,499
Basic and Diluted earnings per share	\$ 0.60	\$ 0.41	\$ 1.57	\$ 1.14